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If you have sold or transferred all your shares in Weiqiao Textile Company Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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魏橋紡織股份有限公司

Weiqiao Textile Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2698)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
SUPPLY OF COTTON YARN, GREY FABRIC AND DENIM,
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
NOTICE OF THE EGM AND CLASS MEETINGS**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Sorrento Capital Limited

A letter from the Board is set out in pages 4 to 12 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in connection with the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) is set out in pages 13 to 14 of this circular. A letter from Sorrento Capital containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) is set out in pages 15 to 23 of this circular.

Notices convening the EGM and the Class Meetings to be convened and held at 9:00 a. m. and immediately after the conclusion of the EGM on Thursday, 24 December 2020 at the conference hall 401 on the Fourth Floor, Company Office Building, No. 1 Wei Fang Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC are set out on pages 35 to 41 of this circular. Whether or not you are able to attend the above meetings, you are requested to complete and return the forms of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for holding the above meetings or any adjournment thereof. Completion and return of the forms of proxy will not preclude you from attending and voting in person at the EGM and the Class Meetings or any adjournment thereof if you so wish.

Reply slips for the EGM and the Class Meetings have also been enclosed. You are reminded to complete and sign the relevant reply slips and return them to the office of the secretary to the Board on or before Friday, 4 December 2020 in accordance with the instructions printed thereon.

9 November 2020

* For identification purposes only. The Company is registered in Hong Kong as a non-Hong Kong company under the English name "Weiqiao Textile Company Limited" and the Chinese name of Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

| | |
|-------------------------------------|--|
| “Annual Caps” | the annual caps for the Continuing Connected Transactions contemplated under the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement for the three financial years ending 31 December 2023 |
| “Articles of Association” | the articles of association of the Company, as amended, modified or otherwise supplemented from time to time |
| “associate(s)” | has the meaning ascribed to it in the Listing Rules |
| “Board” | the board of Directors |
| “Class Meetings” | the class meeting for holders of H Shares to be held immediately after the conclusion of the EGM and the class meeting for holders of Domestic Shares to be held immediately after the conclusion of the said class meeting for holders of H Shares, the respective notices of which or any adjournment thereof respectively are set out on pages 38 to 41 of this circular |
| “Company” | 魏橋紡織股份有限公司 (Weiqiao Textile Company Limited), a joint stock limited company incorporated in the PRC with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2698) |
| “connected person(s)” | has the meaning ascribed to it in the Listing Rules |
| “Continuing Connected Transactions” | the continuing connected transactions contemplated under the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement |
| “Director(s)” | the director(s) of the Company |
| “Domestic Share(s)” | ordinary share(s) issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which are subscribed for and paid up in RMB and are not tradable on the Stock Exchange |
| “EGM” | an extraordinary general meeting of the Company to be convened and held on Thursday, 24 December 2020 for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) and the Proposed Amendments |

DEFINITIONS

| | |
|--|---|
| “Group” | the Company and its subsidiaries |
| “H Share(s)” | overseas listed foreign share(s) in the share capital of the Company, with a Renminbi-denominated par value of RMB1.00 each, and which are subscribed for and traded in Hong Kong dollars on the Stock Exchange |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | the independent board committee of the Company comprising of all the independent non-executive Directors to advise the Independent Shareholders on the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) |
| “Independent Financial Adviser” or “Sorrento Capital” | Sorrento Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, and being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) |
| “Independent Shareholders” | the Shareholders other than the Parent Company, Ms. Zhang Hongxia and her family members for the purpose of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) |
| “Latest Practicable Date” | 3 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Old Cotton Yarn, Grey Fabric and Denim Supply Agreement” | the cotton yarn, grey fabric and denim supply agreement entered between the Company and the Parent Company on 17 October 2017 for the period from 1 January 2018 to 31 December 2020 (both days inclusive) |

DEFINITIONS

| | |
|---|---|
| “Parent Company” | 山東魏橋創業集團有限公司 (Shandong Weiqiao Chuangye Group Company Limited), a limited liability company established in the PRC on 14 April 1998, being the controlling shareholder of the Company |
| “Parent Group” | the Parent Company, its subsidiaries and associates (excluding the Group) |
| “PRC” | the People’s Republic of China |
| “Proposed Amendments” | the proposed amendments to the Articles of Association as set out in this circular |
| “Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement” | the cotton yarn, grey fabric and denim supply agreement entered into between the Company and the Parent Company on 16 October 2020 for a term of three years commencing on 1 January 2021 and ending on 31 December 2023 (both dates inclusive) |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Shareholder(s)” | registered holder(s) of the Shares |
| “Shares” | Domestic Shares and H Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “VAT” | value added tax at the rate of 17% from 1 July 2017 to 30 April 2018, at the rate of 16% from 1 May 2018 to 31 March 2019 and at the rate of 13% since 1 April 2019 |
| “%” | per cent |

For ease of reference, the names of the PRC-incorporated companies and entities have been included in this circular in both the Chinese and English languages. In the event of any inconsistency, the Chinese name prevails.

LETTER FROM THE BOARD



魏橋紡織股份有限公司

Weiqiao Textile Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2698)

Executive Directors:

Ms. Zhang Hongxia (*Chairman*)

Ms. Zhang Yanhong (*Vice Chairman*)

Ms. Zhao Suwen (*Chief Financial Officer,*
Authorized Representative)

Mr. Zhang Jinglei

(Company Secretary, Authorized Representative)

Non-executive Directors:

Ms. Zhao Suhua

Independent Non-executive Directors:

Mr. George Chan Wing Yau

Mr. Chen Shuwen

Mr. Liu Yanzhao

Registered Office:

No. 34 Qidong Road

Weiqiao Town

Zouping City

Shandong Province

The PRC

Principal place of business in the PRC:

No. 1 Wei Fang Road

Zouping Economic Development Zone

Zouping City

Shandong Province

The PRC

Principal Place of Business in Hong Kong:

Suite 5109

The Center, 99th Queen's Road Central

Central

Hong Kong

9 November 2020

To the Shareholders

Dear Sir/Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
SUPPLY OF COTTON YARN, GREY FABRIC AND DENIM,
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
NOTICE OF THE EGM AND CLASS MEETINGS**

* For identification purposes only.

LETTER FROM THE BOARD

A. INTRODUCTION

As disclosed in the announcement of the Company dated 16 October 2020, the Company and the Parent Company entered into the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement on 16 October 2020, pursuant to which, the Group will continue to supply or procure its subsidiaries to supply cotton yarn, grey fabric and denim to the Parent Group for a term of three years commencing on 1 January 2021 and ending on 31 December 2023 (both dates inclusive).

The purpose of this circular is to provide you with (i) further details of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) and the Proposed Amendments; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from Sorrento Capital to the Independent Board Committee and the Independent Shareholders; and (iv) the notices of the EGM and the Class Meetings.

B. THE RENEWED COTTON YARN, GREY FABRIC AND DENIM SUPPLY AGREEMENT

The material terms of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement are set out as follows:

1. Date

16 October 2020

2. Parties

(a) the Company; and

(b) the Parent Company

3. Connected person

the Parent Company

4. Transaction nature

The Company and the Parent Company entered into the Old Cotton Yarn, Grey Fabric and Denim Supply Agreement on 17 October 2017, pursuant to which the Company agreed to supply or procure its subsidiaries to supply cotton yarn, grey fabric and denim to the Parent Group for the production of downstream cotton textile products for the period from 1 January 2018 to 31 December 2020 (both days inclusive). On 16 October 2020, the Company entered into the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement with the Parent Company for a term of three years commencing on 1 January 2021 and ending on 31 December 2023 (both days inclusive), pursuant to which the Company will continue to supply or procure its subsidiaries to supply cotton yarn, grey fabric and denim to the Parent Group.

LETTER FROM THE BOARD

5. Pricing basis and payment terms

The prices of cotton yarn, grey fabric and denim products supplied by the Group to the Parent Group are the same with their respective prices when supplied by the Group to independent third parties under normal commercial terms in the ordinary course of its business in the PRC. The Company shall provide the evidence of such market prices to the Parent Company upon the request of the Parent Company, such as samples of contracts entered into by the Group and independent third parties and relevant invoices.

The Directors have confirmed that the pricing basis agreed between the Company and the Parent Company for the supply of the cotton yarn, grey fabric and denim is fair and reasonable, negotiated on an arm's length basis and constitutes a normal commercial term. The Group has a wide variety of textile products to be sold to its customers according to indicative price lists for different textile products. Such prices were determined after taking into account of a series of factors, such as product costs and prevailing market conditions. The Group usually reviews, adjusts and approves such price lists from time to time, when and where necessary, taking into account of the prevailing market conditions and other relevant factors at that time. Given that there is an uniform price for a single product category of the Group, the Directors are of the view that the sales prices of the products sold to the Parent Group are the same with those sold to the independent third party customers at the same time and such method shall be able to ensure that the Continuing Connected Transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders.

The Company would, on the last business day of each calendar month, prepare an account book of the relevant costs/expenses that shall be paid by the Parent Company for that month. The expenses undue shall not be included in such account book. The Parent Company shall, within the first ten (10) business days of the following month, pay the amount due in full.

6. Termination and renewal

Either party to the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement may terminate it by providing at least thirty (30) days prior written notice to the counterparty.

The Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement is renewable for another term of three years (subject to the compliance of the applicable requirements under the Listing Rules by the Company) unless either party decides not to renew it and give at least thirty (30) days prior written notice to the counterparty accordingly.

7. Historical transaction values and Annual Caps

The historical transaction values and historical annual caps for the cotton yarn, grey fabric and denim supplied by the Group to the Parent Group and under the Old Cotton Yarn, Grey Fabric and Denim Supply Agreement for the two financial years ended 31 December 2019 and the financial year ending 31 December 2020 are as follows:

LETTER FROM THE BOARD

| | For the financial year ended/ending 31 December | | |
|--|---|-----------------|-----------------|
| | 2018 | 2019 | 2020 |
| | (RMB) | (RMB) | (RMB) |
| | (excluding VAT) | (excluding VAT) | (excluding VAT) |
| Historical transaction values ¹ | 458,830,000 | 374,410,000 | 290,870,000 |
| Historical annual caps | 599,700,000 | 791,610,000 | 1,044,920,000 |
| Utilisation rates | 76.5% | 47.3% | 27.8% |

Note 1: The decrease in the annual transaction value for the financial year ended 31 December 2019 from the previous year was primarily due to the international trade frictions. The decrease in the estimated annual transaction value for the financial year ending 31 December 2020 from the previous year was mainly due to that with the outbreak of COVID-19 in early 2020, the Parent Group's production was adversely affected as certain orders, particularly export sales, were delayed or cancelled by its customers.

For the nine months ended 30 September 2020, the aggregate transaction value for supply of the cotton yarn, grey fabric and denim by the Group to the Parent Group amounted to approximately RMB192,830,000. The Directors currently estimate that the transaction value for each of the three months ending 31 December 2020 will increase by approximately 10% from that for the month ended 30 September 2020 (i.e. RMB29,710,000 (excluding VAT)), and therefore the aggregate transaction value for supply of the cotton yarn, grey fabric and denim for the three months ending 31 December 2020 will be approximately RMB98,040,000 (excluding VAT).

Set out below are the Annual Caps which are estimated to be payable by the Parent Group to the Group under the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement for the three financial years ending 31 December 2023:

| | For the financial year ending 31 December | | |
|--------------------------|---|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | (RMB) | (RMB) | (RMB) |
| | (excluding VAT) | (excluding VAT) | (excluding VAT) |
| Annual Caps ¹ | 432,380,000 | 475,620,000 | 523,180,000 |

Note 1: Since the second half of 2020, business and production activities of the enterprises located in the PRC have gradually resumed to normal. Accordingly, the transaction value of cotton yarn, grey fabric and denim for the month ended 30 September 2020 was significantly larger than the average of the previous eight months. Further recovery of economic activities in the PRC, together with the marketing efforts of the Parent Group to explore local business opportunities, will contribute to increase the Parent Group's demand of cotton yarn, grey fabric and denim. Based on the above, the management of the Company is of the view that the downward trend in the transaction value of cotton yarn, grey fabric and denim would not continue in 2021.

Taking into consideration that there has been a significant fluctuation in the historical transaction values for the past few years as a result of the fluctuation in the demands for cotton textile products due to the impact of various factors including trade frictions, the Annual Cap for the financial year ending 31 December 2021 represents a growth rate of approximately 10% from the average of the actual annual transaction value for each of the three financial years ended 31 December 2019 (i.e. RMB448,180,000

LETTER FROM THE BOARD

(excluding VAT) for 2017, RMB458,830,000 (excluding VAT) for 2018 and RMB374,410,000 (excluding VAT) for 2019) and the estimated annual transaction value for the financial year ending 31 December 2020 (i.e. RMB290,870,000 (excluding VAT)). The Annual Cap for each of the two financial years ending 31 December 2023 represents a growth rate of approximately 10% from the previous year.

Such annual growth rate of approximately 10% was determined in consideration that the management of the Parent Group is actively adjusting product mix and improving product quality, and the Directors believe that with the increase of domestic home textile and apparel enterprises, the Parent Group will obtain a bigger domestic market share and will require more supply of the cotton yarn, grey fabric and denim from the Group for the three financial years ending 31 December 2023.

C. REASONS FOR AND BENEFIT OF ENTERING INTO THE RENEWED COTTON YARN, GREY FABRIC AND DENIM SUPPLY AGREEMENT

The Parent Group has a substantial and stable demand for cotton yarn, grey fabric and denim for further processing into downstream cotton textile products for sale to independent third parties. The Parent Group is one of the Group's major customers for cotton yarn, grey fabric and denim. The provision of cotton yarn, grey fabric and denim to the Parent Group at prices no more favourable than those available to independent third parties falls within the ordinary and usual course of the Group's business. The Directors believe that the establishment of the long-term cooperation relationship with the Parent Company will stabilize the Company's operation and ensure a broaden stream of revenue source, and therefore is of commercial benefit to the Group as a whole.

Based on the above, the Board represented by the only one non-executive Director (i.e. Ms. Zhao Suhua, excluding Ms. Zhang Hongxia, Ms. Zhang Yanhong, Ms. Zhao Suwen and Mr. Zhang Jinglei who had abstained from voting on the relevant resolution of the Board approving the Continuing Connected Transactions as they concurrently serve as directors of the Parent Company and the members of the Independent Board Committee, the opinion of which, after considering the advice from Sorrento Capital, is included in the section "Letter from the Independent Board Committee" in this circular) considers that the Continuing Connected Transactions are and will be conducted in the ordinary and usual course of business of the Group and the terms of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement (including the Annual Caps) have been negotiated on an arm's length basis, and are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

D. IMPLICATIONS UNDER THE LISTING RULES

The Parent Company is the controlling shareholder of the Company and it therefore constitutes a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Continuing Connected Transactions is more than 5%, the Continuing Connected Transactions constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Each of Ms. Zhang Hongxia, Ms. Zhang Yanhong, Ms. Zhao Suwen and Mr. Zhang Jinglei had abstained from voting on the relevant resolution of the Board for approving the Continuing Connected Transactions as they concurrently serve as directors of the Parent Company.

E. INTERNAL CONTROL PROCEDURES

The Company has adopted the following internal control measures to ensure that the Continuing Connected Transactions are and will be conducted in accordance with the pricing policies and the terms of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement, and in compliance with the Listing Rules:

- (1) the general manager and/or the executive deputy general manager of the sales department of the Company shall prepare a draft price list for the Group's products based on the prices of raw materials and the prevailing market conditions, and submit such list for review and approval by the chairman of the Board on monthly basis. At the time when the raw material prices fluctuate, the general manager and/or the executive deputy general manager of the sales department of the Company will adjust the draft price list more frequently to reflect the market conditions. Upon approval, the price list shall be announced internally. Any deviation from the price list shall be separately approved by the general manager and the executive deputy general manager of the sales department of the Company, as well as the chairman of the Board;
- (2) the finance department of the Company shall provide the monthly caps, calculated pursuant to the Annual Caps, to the sales department of the Company, which will keep track of the actual transaction sum of the contracts of the Continuing Connected Transactions under the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement from time to time and will submit a report to the finance department of the Company when the actual transaction amounts may exceed the monthly caps. The finance department of the Company will also monitor the aggregate value of the Continuing Connected Transactions on a monthly basis and ensure it will not exceed the Annual Caps;
- (3) prior to executing any contract of the Continuing Connected Transactions, such contract, including its transaction value and terms, will be provided by the sales department of the Company to the finance department of the Company for their review. Such contract will not be executed unless and until the finance department of the Company has confirmed that the aggregate value of the transaction sums under the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement will not exceed the Annual Caps and the terms of such contract are in compliance with the terms of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement. If it is contemplated that the Annual Caps will be exceeded as a result of entering into the relevant contracts, such transaction will not be entered into until the Company has complied with the relevant requirements under the Listing Rules;
- (4) the Board will continue to periodically review the Company's internal control systems and their effectiveness, as well as the pricing policy in order to keep it fair and reasonable; and

LETTER FROM THE BOARD

- (5) the independent non-executive Directors themselves shall, and the Company shall engage its external auditors to, conduct annual review of the Continuing Connected Transactions and the Annual Caps in accordance with the requirements of the Listing Rules.

F. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

According to the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)) (the “Reply”), the requirements on the notice period, shareholders’ proposal right and convening procedures of the general meeting for joint stock companies incorporated in the PRC and listed overseas shall be governed by the relevant provisions under the Company Law of the PRC, instead of the provisions under the Articles 20 to 22 of the Special Provisions of the State Council on Overseas Share Raising and Listing of Joint Stock Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》).

According to the Reply and the Company Law of the PRC (2018 Amendment), the Board proposed to make certain amendments to the current Articles of Association in relation to the notice period, shareholders’ proposal right and convening procedures of the general meeting. Details of the Proposed Amendments are set out in Appendix I to this circular.

Save for the Proposed Amendments, other provisions in the Articles of Association remain unchanged.

The Hong Kong and PRC legal advisers of the Company have confirmed that the Proposed Amendments conform with the requirements of the Listing Rules and the applicable PRC laws and regulations, respectively. The Directors also confirmed that there is nothing unusual about the Proposed Amendments for a company listed in Hong Kong.

The Proposed Amendments are subject to the approval of the Shareholders by way of a special resolution at each of the EGM and Class Meetings and the approval of, and registration or filing with, the relevant competent authorities in the PRC.

G. EGM AND CLASS MEETINGS

The EGM will be convened to consider and, if thought fit, approve, among other things, the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) and the Proposed Amendments. The Class Meetings will be convened to consider and, if thought fit, approve, among other things, the Proposed Amendments.

As at the Latest Practicable Date, the Parent Company held approximately 63.67% of the total issued Shares. According to the Listing Rules, the Parent Company will abstain from voting on the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) at the EGM. Ms. Zhang Hongxia, being a Director, serves as a director of the Parent Company and holds approximately 9.73% (directly and indirectly) of the equity interest in the Parent Company. She and her family members (jointly holding approximately 1.92% of

LETTER FROM THE BOARD

the equity interest in the Company) will also abstain from voting on the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) at the EGM.

Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquires, no other Shareholder has a material interest in the Continuing Connected Transactions or the Proposed Amendments, and no other Shareholder is required to abstain from voting to approve the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) or the Proposed Amendments at the EGM and the Class Meetings.

The votes to be taken at the EGM and the Class Meetings in relation to the above proposed resolutions will be taken by poll.

The Independent Board Committee will advise the Independent Shareholders in relation to their voting on the resolution relating to the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

Sorrento Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

The relevant proxy forms and reply slips for attending the EGM and the Class Meetings are enclosed. Shareholders who intend to attend the EGM and the Class Meetings are required to complete and return the reply slips to the Company on or before Friday, 4 December 2020.

The holders of H Shares should note that the register of members of the Company will be closed from Tuesday, 24 November 2020 to Thursday, 24 December 2020 (both days inclusive), during which period no transfer of H Shares can be registered. In order to qualify to attend and vote at the EGM and the Class Meetings, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Shares registrar in Hong Kong (in respect of H Shares), or the Company's principal place business in the PRC (in respect of Domestic Shares), no later than 4:30 p. m. on Monday, 23 November 2020.

H. RECOMMENDATION

The Board is of the opinion that the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and the terms of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement (including the Annual Caps) have been negotiated on an arm's length basis, and are on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Board recommends that the Independent Shareholders vote in favour of the resolution set out in the notice of the EGM for the approval of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

LETTER FROM THE BOARD

The Directors also believe that the Proposed Amendments is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all the Shareholders vote in favour of the Proposed Amendments at the EGM and Class Meetings.

I. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. George Chan Wing Yau, Mr. Chen Shuwen and Mr. Liu Yanzhao, has been formed to advise the Independent Shareholders in relation to their voting on the resolution in respect of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

J. GENERAL INFORMATION

The Group is principally engaged in the production, sale and distribution of cotton yarn, grey fabric and denim, and the electricity business.

The Parent Company is a company incorporated in the PRC on 14 April 1998 with limited liability. The Parent Company is principally engaged in the processing and sale of cotton, lint cotton, cotton seed oil, fabrics, cotton yarn and print cloth, retail and distribution of cloth and supply of industrial water.

K. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendixes to this circular.

By Order of the Board
Yours faithfully,
Weiqiao Textile Company Limited*
Zhang Hongxia
Chairman and Executive Director

* *For identification purposes only. The Company is registered in Hong Kong as a non-Hong Kong company under the English name "Weiqiao Textile Company Limited" and the Chinese name of Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



魏橋紡織股份有限公司

Weiqiao Textile Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2698)

9 November 2020

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS SUPPLY OF COTTON YARN, GREY FABRIC AND DENIM

We have been appointed as members of the Independent Board Committee to consider the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps), details of which are set out in the Letter from the Board contained in the circular to the shareholders of the Company dated 9 November 2020 (the “**Circular**”), of which this letter forms part, and to advise you as to the fairness and reasonableness of the same. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) and the advice and opinion of Sorrento Capital in relation thereto as set out on pages 15 to 23 of the Circular, we are of the opinion that (i) the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement was entered into in the ordinary and usual course of business with normal commercial terms; and (ii) the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore

* For identification purposes only.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

recommend that you vote in favour of the resolution to be proposed at the EGM to approve the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

Yours faithfully,
Independent Board Committee

George Chan Wing Yau
*Independent non-executive
Director*

Chen Shuwen
*Independent non-executive
Director*

Liu Yanzhao
*Independent non-executive
Director*

LETTER FROM SORRENTO CAPITAL

The following is the text of the letter of advice from Sorrento Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, in relation to the renewal of continuing connected transactions for the supply of cotton yarn, grey fabric and denim which has been prepared for the purpose of inclusion in this circular.



11/F,
The Wellington,
198 Wellington Street,
Central,
Hong Kong

9 November 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS SUPPLY OF COTTON YARN, GREY FABRIC AND DENIM

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the renewal of continuing connected transactions for the supply of cotton yarn, grey fabric and denim by the Group to the Parent Group (the “**Continuing Connected Transactions**”) and the proposed annual caps (the “**Proposed Annual Caps**”) under the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement for the three years ending 31 December 2023, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 9 November 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

According to the Letter from the Board, Shandong Weiqiao Chuangye Group Company Limited, the Parent Company, held approximately 63.67% of the total issued Shares as at the Latest Practicable Date. As the Parent Company is a controlling shareholder of the Company and therefore a connected person of the Company, the transactions contemplated under the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Continuing Connected Transactions is more than 5%, the Continuing Connected Transactions constitute non-exempt continuing connected transactions under chapter 14A of the Listing Rules and are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. George Chan Wing Yau, Mr. Chen Shuwen and Mr. Liu Yanzhao, all being the independent non-executive Directors, has been established by the Board to consider the terms of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the

LETTER FROM SORRENTO CAPITAL

Proposed Annual Caps and to make recommendation to the Independent Shareholders as regards voting. We, Sorrento Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Proposed Annual Caps are normal commercial and fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Parent Company held approximately 63.67% of the total issued Shares. According to the Listing Rules, the Parent Company will abstain from voting on the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Proposed Annual Caps) at the EGM. Ms. Zhang Hongxia, being a Director, serves as a director of the Parent Company and holds approximately 9.73% (directly and indirectly) of the equity interest in the Parent Company. She and her family members (jointly holding approximately 1.92% of the equity interest in the Company) will also abstain from voting on the same at the EGM.

We are independent from and not connected with the Group, the Parent Group, their respective substantial shareholders, directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules. During the last two years, save as appointment of us as independent financial adviser in respect of continuing connected transactions of the Company (details of which are disclosed in the circular of the Company dated 11 November 2019), we have not been engaged as any financial adviser to the Company. Accordingly we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transactions.

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations expressed to us by the Directors and management of the Company. We have assumed that (i) all such statements, information, opinions and representations expressed to us by the Directors and management of the Company, for which they are solely responsible, are true, accurate and complete in all material aspects at the time they were made and up to the date of the Circular; and (ii) all the opinions and representations have been reasonably made by the Directors and the management of the Company after due and careful enquiry. We have also assumed that the information referred to in the Circular will continue to be true, accurate and complete as at the date of the Circular and if there is any material change of information in the Circular up to the date of the EGM, we will inform the Shareholders as soon as practicable. We have also sought and obtained confirmation from the Directors and/or management of the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Company or any of its subsidiaries, nor have we carried out any independent verification of the information supplied.

LETTER FROM SORRENTO CAPITAL

PRINCIPAL FACTORS AND REASONS CONCERNED

In considering whether the terms of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Proposed Annual Caps are fair and reasonable and are in the interest of the Company and the Shareholders as a whole, we have taken into account the principal factors and reasons set out below:

1. Background of and reasons for entering into the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement

As set out in the Letter from the Board, the Group is principally engaged in the production, sales and distribution of cotton yarn, grey fabric and denim, and the electricity business. According to the annual report of the Company for the year ended 31 December 2019 (the “**Annual Report**”) and the interim report of the Company for the six months ended 30 June 2020 (the “**Interim Report**”), (i) the Company recorded a revenue of approximately RMB15.17 billion for the year ended 31 December 2019 representing a decrease of approximately 7.84% as compared to that of approximately RMB16.46 billion for the previous year; and (ii) the Company recorded a revenue of approximately RMB5.43 billion for the six months ended 30 June 2020 representing a decrease of approximately 30.21% as compared to that of approximately RMB7.78 billion for the corresponding period in the previous year. Notwithstanding the changes above, sales of textile products remained as a major business segment of the Company and revenue from the sales of textile products represented approximately 63.91%, 65.28% and 66.17% of the total revenue for the year ended 31 December 2018 and 31 December 2019 and the six months ended 30 June 2020 respectively.

As set out in the Letter from the Board, the Parent Company is a company established in the PRC on 14 April 1998 with limited liability. The Parent Group is principally engaged in the processing and sale of cotton, lint cotton, cotton seed oil, fabrics, cotton yarn and print cloth, retail and distribution of cloth and supply of industrial water. According to the Annual Report and Interim Report, sales of textile products by the Group to the Parent Group represented approximately 2.5% to 2.8% of total revenue of the Group during each of the three years ended 31 December 2019 and the six months ended 30 June 2020.

The Continuing Connected Transactions can be traced back to 2003 when the Company and the Parent Company entered into an agreement in relation to the supply of cotton yarn and grey fabric to the then Parent Group. In 2008, Company and the Parent Company also entered into agreement for the additional supply of denim to the Parent Group. Since then, the Continuing Connected Transactions have been continued for almost 12 years. The last agreement, being the Old Cotton Yarn, Grey Fabric and Denim Supply Agreement, was entered into between the Company and the Parent Company on 17 October 2017 for the period from 1 January 2018 to 31 December 2020 (both days inclusive). As mentioned in the Letter from the Board, the Parent Group has a substantial and stable demand for cotton yarn, grey fabric and denim for further processing into downstream cotton textile products for sale to independent third parties. The Parent Group is one of the Group’s major customers for cotton yarn, grey fabric and denim. The provision of cotton yarn, grey fabric and denim to the Parent Group at prices no more favourable than those available to independent third parties falls within the ordinary and usual course of the Group’s business. The Directors believe that the establishment of the long-term cooperation relationship with the Parent Company will stabilize the Company’s operation and ensure a broaden stream of revenue source.

LETTER FROM SORRENTO CAPITAL

Having considered that (i) the abovementioned long-term business relationship between the Group and the Parent Group in relation to supply of cotton yarn, grey fabric and denim; (ii) the sales of cotton yarn, grey fabric and denim to the Parent Group has been stable, as percentage of relevant segment revenue of the Group, in the past few years and the latest interim period; and (iii) the Parent Group has been a major and stable customer of the Group in respect of supply of cotton yarn, grey fabric and denim, we consider that there is commercial rationale for the Group to conduct the Continuing Connected Transactions by entering into the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement

Pursuant to the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement, the Group will continue to supply cotton yarn, grey fabric and denim to the Parent Group for the production of downstream cotton textile products for the period from 1 January 2021 to 31 December 2023 (both days inclusive). According to the Letter from the Board, the prices of cotton yarn, grey fabric and denim products (the “**Products**”) supplied by the Group to the Parent Group are the same with their respective prices when supplied by the Group to independent third parties under normal commercial terms in the ordinary course of its business in the PRC. The Company shall provide the evidence of such market prices to the Parent Company upon the request of the Parent Company, such as samples of contracts entered into by the Group and independent third parties and relevant invoices.

The Group has a wide variety of textile products to be sold to its customers according to indicative price lists for different textile products. Such prices were determined after taking into account of a series of factors, such as product costs and prevailing market conditions. The Group usually reviews, adjusts and approves such price lists from time to time, when and where necessary, taking into account of the prevailing market conditions and other relevant factors at that time. Given that there is an uniform price for a single product category of the Group, the Directors are of the view that the sales prices of the products sold to the Parent Group are the same with those sold to the independent third party customers at the same time and such method shall be able to ensure that the Continuing Connected Transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders.

We have analysed the key terms of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement in the ensuing sections, in relation to the aspects of the Proposed Annual Caps and the measures to safeguard interests of Independent Shareholders, and formed our view in the paragraph headed “**RECOMMENDATION**”.

3. Proposed Annual Caps and basis of determination

The below table sets out (i) the historical transaction values (excluding VAT) for the sales of the Products by the Group to the Parent Group for each of the three years ended 31 December 2019 and the year ending 31 December 2020 (based on the unaudited transaction value for nine months ended 30 September 2020 and the Company’s estimate on the last quarter of 2020) (collectively the “**Historical CCT Period**”); (ii) the existing annual caps for each of the three years ending 31 December 2020; and (iii) the Proposed

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Annual Caps in respect of the sales of the Products by the Group to the Parent Group under the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement for the each of the three years ending 31 December 2023 (the “CCT Period”):

| | Historical figures/annual caps for the year ended/ending 31 December (RMB'million) | | | | | | |
|---|--|-------|-------|-----------------|-------|-------|-------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Existing/proposed annual caps excluding VAT | 3,163.7 | 599.7 | 791.6 | 1,044.9 | 432.4 | 475.6 | 523.2 |
| Historical sales amount excluding VAT | 448.2 | 458.8 | 374.4 | 290.9 (note) | N/A | N/A | N/A |

Note: For the nine months ended 30 September 2020, the aggregate transaction value for supply of the cotton yarn, grey fabric and denim by the Group to the Parent Group amounted to approximately RMB192.8 million. The Directors currently estimate that the transaction value for each of the three months ending 31 December 2020 will increase by approximately 10% from that for September 2020 (i.e. RMB29.7 million (excluding VAT)), and therefore the aggregate transaction value for supply of the cotton yarn, grey fabric and denim for the three months ending 31 December 2020 will be approximately RMB98.0 million (excluding VAT).

In order to assess the fairness and reasonableness of the Proposed Annual Caps, we have reviewed the (i) range of average selling price of the Products (a) between approximately RMB21.27 per kilogram and approximately RMB24.47 per kilogram for cotton yarn; (b) between approximately RMB9.94 per yard and approximately RMB11.56 per yard for grey fabric; and (c) between approximately RMB12.31 per yard and approximately RMB13.76 per yard for denim, all excluding VAT, under the Old Cotton Yarn, Grey Fabric and Denim Supply Agreement; and (ii) obtained, on quarterly basis, the sample invoices of the sales of the Products to the Parent Group as well as the independent third party customers, during the Historical CCT Period (up to 30 September 2020). We noted from these sample invoices that the unit prices of the Products sold to the Parent Group are comparable to those the Group sold to its independent third party customers.

As regards the Proposed Annual Caps to be sought for each of the three years ending 31 December 2023, we have obtained and reviewed the expected sales of the Products summing roughly up the Proposed Annual Caps. We understand from the Company that such estimates were prepared after taking into consideration of (i) a significant fluctuation in the historical transaction values for the past few years as a result of the fluctuation in the demands for cotton textile products due to the impact of various factors including trade frictions; (ii) the average of actual/estimated annual transaction values of the Products for the four years ending 31 December 2020; and (iii) an annual growth rate of approximately 10% during the CCT Period such that the Proposed Annual Cap for the year ending 31 December 2021 represents a growth of 10% of the average annual transaction value for the four years ending 31 December 2020 and the Proposed Annual Cap for each of the two years ending 31 December 2023 would also grow by 10% per annum.

We have reviewed the historical transaction values of the Products and noted that they were stable at approximately RMB448.2 million and approximately RMB458.8 million in 2017 and 2018 respectively and then decreased by approximately 18.4% to approximately RMB374.4 million in 2019. As advised by the Company, such decrease in historical transaction value in 2019 was mainly due to the trade frictions between the PRC and United States of America (“U.S.”). The historical transaction value of the Products in the first nine months of 2020 was exceptionally low as to approximately RMB192.8 million when comparing with those in previous years stated above. We were advised by the Company that since the outbreak of

LETTER FROM SORRENTO CAPITAL

COVID-19 in early 2020, the demand of the Products by the Parent Group has decreased as certain of their customer orders, particularly export sales, were delayed or cancelled and their production was interrupted during the first half of 2020. As the PRC has exercised stringent control on the spread of COVID-19, the business activities of the Parent Group in the PRC has gradually resumed to normal since the second half of 2020. In particular, the transaction value of the Products in September 2020 reached approximately RMB29.7 million which is significantly larger than the average of the previous eight months of approximately RMB20.4 million. Therefore, the Company after considering (i) the recovery of economy after the control of COVID-19 in the PRC; (ii) the marketing effort of the Parent Group to expand in local market, by approaching more with local home textile companies and brand-owners, in response to the trade frictions between the PRC and U.S. and promotion of local circular economy in the PRC; and (iii) the potential replenishment orders by the Parent Group affected by COVID-19 during 2020, expects a rebound on demand of the Products by the Parent Group and expects the transaction value of the Products in 2021 to be approximately RMB432.4 million, being a level comparable to the past few years, and furthermore an annual growth rate of approximately 10% for the Proposed Annual Caps during each of the two years ending 31 December 2023.

As part of our due diligence, we have reviewed the retail sales of consumer goods under the category of apparel, footwear, headwear and knitwear as published by National Bureau of Statistics of the PRC and noted that monthly sales value in the first three months of 2020 have decreased by up to 34.8% as compared with the corresponding period in 2019 but since April 2020, the sales values were improved and have reached almost the same level in corresponding period in 2019. Therefore, we consider that it is reasonable for the Company to estimate the transaction value of the Product, being raw materials of apparel, footwear, headwear and knitwear, for the year ending 31 December 2021 based on the historical transaction values which the Group has achieved in past few years.

As regard the expected annual growth rate of approximately 10% in sales values of the Product for each of the two years ending 31 December 2023, we understand from the Company that it is based on the expected increase in demand of the Products by the Parent Group as well as the possible increase in selling price of the Products. As mentioned before, the Company has taken into account the effort of the Parent Group to expand in local market in response to the trade frictions between the PRC and U.S. and promotion of local circular economy in the PRC. As such we have reviewed the values of finished goods for knitwear and apparel industry in the PRC since the last quarter of 2019 and up to September 2020 available in the website of National Bureau of Statistics of the PRC and noted that the values have been increasing since 2020 at a rate up to approximately 3.8% per month. Furthermore, we also noted from National Bureau of Statistics of the PRC that the median disposable income of citizens of the PRC has also been increasing from approximately RMB6,067 in the first quarter of 2017 to approximately RMB7,165 in the third quarter of 2020. Hence, it is reasonable for the Company to expect an increase in demand of the Products in near future should the PRC economy continue to recover and grow after the COVID-19.

According to the Letter from the Board, prices of the Group's textile products, including the Products, were determined after taking into account of a series of factors, such as product costs. As such, we have enquired the Company as to the major cost components of the Products and were advised that electricity charge, labour costs and cotton costs affect the product costs mostly and the Group would normally determine the selling price of the Products sold to independent third party customers and the Parent Group in order to maintain its profit margin. As part of our due diligence, we have reviewed (i) the electricity tariff published by State Grid Shandong Electric Power Company and noted that the standard tariff for industrial

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uses is stable during the Historical CCT Period; (ii) the average monthly staff costs per employee of the Group during the Historical CCT Period (based on the total staff costs and number of employees as set out in the Annual Report and the Interim Report) and noted that it has been generally stable except a slight decrease in the first six months of 2020 as less payment of social insurance premiums was made due to the short-term concession policy for enterprises' social insurance premiums issued by the government of Shandong Province; and (iii) price indices of cotton in the PRC during the Historical CCT Period as cited from China Cotton Association (<http://www.china-cotton.org>), a non-profit organisation under the supervision and management of Ministry of Civil Affairs of the PRC, and noted that they have decreased from the range of around RMB14,700 per ton to RMB16,200 per ton (depends on the grade of cotton) in January 2018 to the lowest in April 2020 of around RMB10,700 per ton to RMB11,700 per ton and then surged by approximately 22% up to around RMB12,900 per ton to RMB14,200 per ton up to October 2020.

Having considered the factors above, in particular (i) the recovery of apparel, footwear, headwear and knitwear industry in the PRC after the severe situation in first half of 2020 due to the outbreak of COVID-19; (ii) the potential increase in demand of the Products by the Parent Group; and (iii) the fluctuation of cotton price, we consider that the approximately 10% annual growth rate implied by each of the Proposed Annual Caps with reference to the transaction values in the past few years are justifiable and we are of the view that the bases on which the Proposed Annual Caps were determined are fair and reasonable and in the interests of the Shareholders and the Company as a whole and the Proposed Annual Caps are fair and reasonable, and we consider that the Continuing Connected Transactions are to be carried out on normal commercial terms and in the ordinary and usual course of business.

4. Internal control measures within the Group

As advised by the Company, the Company has adopted certain measures to ensure that the Continuing Connected Transactions are properly controlled and monitored and in compliance with the Listing Rules:

- a) the general manager and/or the executive deputy general manager of the sales department of the Company shall prepare a draft price list for the Group's products based on the prices of raw materials and the prevailing market conditions, and submit such list for review and approval by the chairman of the Board on monthly basis. At the time when the raw material prices fluctuate, the general manager and/or the executive deputy general manager of the sales department of the Company will adjust the draft price list more frequently to reflect the market conditions. Upon approval, the price list shall be announced internally. Any deviation from the price list shall be separately approved by the general manager and the executive deputy general manager of the sales department of the Company, as well as the chairman of the Board;
- b) the finance department of the Company shall provide the monthly caps, calculated pursuant to the Proposed Annual Caps, to the sales department of the Company, which will keep track of the actual transaction sum of the contracts of the Continuing Connected Transactions under the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement from time to time and will submit a report to the finance department of the Company when the actual transaction amounts may exceed the monthly caps. The finance department of the Company will also monitor the aggregate value of the Continuing Connected Transactions on a monthly basis and ensure it will not exceed the Proposed Annual Caps;

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- c) prior to executing any contract of the Continuing Connected Transactions, such contract, including its transaction value and terms, will be provided by the sales department of the Company to the finance department of the Company for their review. Such contract will not be executed unless and until the finance department of the Company has confirmed that the aggregate value of the transaction sums under the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement will not exceed the Proposed Annual Caps and the terms of such contract are in compliance with the terms of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement. If it is contemplated that the Proposed Annual Caps will be exceeded as a result of entering into the relevant contracts, such transaction will not be entered into until the Company has complied with the relevant requirements under the Listing Rules;
- d) the Board will continue to periodically review the Company's internal control systems and their effectiveness, as well as the pricing policy in order to keep it fair and reasonable; and
- e) the independent non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the Continuing Connected Transactions and the Proposed Annual Caps in accordance with the requirements of the Listing Rules.

Furthermore, the Company has engaged an independent compliance adviser, being a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, on an ongoing basis for consultation regarding compliance with the Listing Rules. Having considered the abovementioned, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the Proposed Annual Caps; (ii) the abovementioned internal control measures adopted by the Company; and (iii) the ongoing review by the audit committee and the auditors of the Company of the terms of the Continuing Connected Transactions and the Proposed Annual Caps not being exceeded, we are of the view that the Company has established effective internal control procedures to ensure the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement will be conducted on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

RECOMMENDATION

Taking into consideration of the above principal factors and reasons, we are of the opinion that the Continuing Connected Transactions are in the ordinary and usual course of business of the Company, and terms of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement (including the Proposed Annual Caps) are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favor of the resolution proposed at the EGM thereby approving the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement.

Yours faithfully,

For and on behalf of

Sorrento Capital Limited

Aaron Wong

Wesker Poon

Managing Director

Managing Director

LETTER FROM SORRENTO CAPITAL

Note: Mr. Aaron Wong is a responsible officer of type 6 (advising on corporate finance) regulated activity and has more than seven years of experience in corporate finance and investment banking. Mr. Wesker Poon is a responsible officer of type 6 (advising on corporate finance) regulated activity and has more than nine years of experience in corporate finance and investment banking. Both Mr. Aaron Wong and Mr. Wesker Poon have participated in and completed various advisory transactions (including connected transactions of listed companies in Hong Kong).

The Proposed Amendments are set out below:

| Existing Articles of Association | Revised Articles of Association |
|---|--|
| Article 6.9 Change of the shareholders' register arising from share transfer shall not be registered within 30 days before convening of a general meeting or 5 days before the benchmark date on which the Company decides to distribute dividends. | Article 6.9 If the laws, administrative regulations, rules of department, normative documents and rules of relevant stock exchanges or regulatory authorities in the place where the Company's shares are listed provide for the period of suspension of share transfer registration prior to the holding of a general meeting or the reference date set by the Company for the purpose of distribution of dividends, such provisions shall prevail. |

| Existing Articles of Association | Revised Articles of Association |
|---|--|
| <p>Article 8.2 A general meeting shall exercise the following functions and powers:</p> <p>(I) To resolve on the Company's business guidelines and investment plans;</p> <p>(II) To elect and replace directors and to decide on matters relating to the remuneration of directors;</p> <p>(III) To elect and replace supervisors who are representatives of shareholders and to decide on matters relating to the remuneration of supervisors;</p> <p>(IV) To consider and approve reports of the board of directors;</p> <p>(V) To consider and approve reports of the supervisory committee;</p> <p>(VI) To consider and approve the annual financial budgets and financial statements of the Company;</p> <p>(VII) To consider and approve the Company's profit distribution plan and loss recovery plan;</p> <p>(VIII) To resolve on increase or decrease of the registered capital of the Company;</p> <p>(IX) To resolve on the merger, division, dissolution and liquidation of the Company;</p> <p>(X) To resolve on the issue of bonds of the Company;</p> <p>(XI) To resolve on the appointment, removal or non-reappointment of the Company's certified public accountants;</p> <p>(XII) To amend these Articles of Association;</p> <p>(XIII) To consider proposals of shareholders representing more than 5% (inclusive) of the voting shares of the Company; and</p> <p>(XIV) To resolve on other matters which, in accordance with the laws, administrative regulations and these Articles of Association, must be approved by a general meeting.</p> | <p>Article 8.2 A general meeting shall exercise the following functions and powers:</p> <p>(I) To resolve on the Company's business guidelines and investment plans;</p> <p>(II) To elect and replace directors and to decide on matters relating to the remuneration of directors;</p> <p>(III) To elect and replace supervisors who are representatives of shareholders and to decide on matters relating to the remuneration of supervisors;</p> <p>(IV) To consider and approve reports of the board of directors;</p> <p>(V) To consider and approve reports of the supervisory committee;</p> <p>(VI) To consider and approve the annual financial budgets and financial statements of the Company;</p> <p>(VII) To consider and approve the Company's profit distribution plan and loss recovery plan;</p> <p>(VIII) To resolve on increase or decrease of the registered capital of the Company;</p> <p>(IX) To resolve on the merger, division, dissolution and liquidation of the Company;</p> <p>(X) To resolve on the issue of bonds of the Company;</p> <p>(XI) To resolve on the appointment, removal or non-reappointment of the Company's certified public accountants;</p> <p>(XII) To amend these Articles of Association;</p> <p>(XIII) to consider and approve the proposals put forward by shareholders individually or jointly holding 3% or more of the Company's shares; and</p> <p>(XIV) To resolve on other matters which, in accordance with the laws, administrative regulations and these Articles of Association, must be approved by a general meeting.</p> |

| Existing Articles of Association | Revised Articles of Association |
|---|---|
| <p>Article 8.4 General meetings are classified into annual general meetings and extraordinary general meetings. General meetings shall be convened by the board of directors.</p> <p>Annual general meetings shall be convened once a year within 6 months after the end of the preceding fiscal year.</p> <p>.....</p> | <p>Article 8.4 General meetings are classified into annual general meetings and extraordinary general meetings. General meetings shall be convened by the board of directors.</p> <p>Annual general meetings shall be convened once a year within 6 months after the end of the preceding fiscal year.</p> <p>.....</p> |
| <p>Article 8.5 Where the Company convenes a general meeting, a written notice shall be given 45 days prior to the date of the meeting to notify all the shareholders in the shareholders' register of the issues to be considered at the meeting, and the date and venue of the meeting. Any shareholder intending to attend the meeting shall deliver to the Company a written reply showing his intention to attend at least 20 days before the meeting.</p> | <p>Article 8.5 When the Company convenes an annual general meeting, it shall notify shareholders by way of announcement 20 business days prior to the meeting; and when the Company convenes an extraordinary general meeting, it shall notify shareholders by way of announcement 15 days or 10 business days (whichever is longer) prior to the meeting.</p> <p>The business day referred to in the Articles of Association shall mean any day on which the Hong Kong Stock Exchange is open for the business of dealing in securities.</p> <p>When the Company convenes a class general meeting, the notice period and notice method shall be subject to the provisions of Chapter IX of the Articles of Association.</p> |
| <p>Article 8.6 When the Company convenes an annual general meeting, shareholders holding more than 5% (inclusive) of the total voting shares of the Company shall have the right to submit proposals in writing to the Company, and the Company shall place the proposals on the agenda for the said annual general meeting if the said proposals fall within the functions and powers of general meetings.</p> | <p>Article 8.6 To be deleted</p> |

| Existing Articles of Association | Revised Articles of Association |
|---|--|
| <p>Article 8.7 The Company shall, based on the written replies received from shareholders 20 days prior to the date of the general meeting, calculate the number of voting shares held by shareholders intending to attend the meeting. Where the number of voting shares represented by shareholders intending to attend the meeting amounts to more than one half of the Company's voting shares, the Company may convene the general meeting; if not, the Company shall, within 5 days, notify shareholders again of the issues to be considered, date and venue of the meeting in the form of public announcements. The Company may then convene the general meeting after such announcements.</p> <p>An extraordinary general meeting shall not decide to announce matters not specified.</p> | <p>Article 8.7 To be deleted</p> |
| <p>Article 8.9 The notice of a general meeting shall be sent to shareholders (whether or not they are entitled to vote at the general meeting) by personal delivery or by pre-paid mail to their addresses as recorded in the shareholders' register. For holders of domestic shares, the notice of a general meeting may be issued in the form of public announcement.</p> <p>Public announcement referred to in the preceding paragraph shall be published in one or more newspaper(s) designated by the securities regulatory authority under the State Council during the period between 45 days to 50 days prior to the date of the meeting. Once the announcement has been published, all holders of domestic shares shall be deemed to have received the notice of relevant general meeting.</p> <p>Where the Company intends to give a notice of a general meeting, it shall ensure that holders of foreign shares registered in Hong Kong have enough time to exercise their rights or act in accordance with the notice.</p> | <p>Article 8.7 The notice of a general meeting shall be sent to shareholders (whether or not they are entitled to vote at the general meeting) by personal delivery or by pre-paid mail to their addresses as recorded in the shareholders' register. For holders of domestic shares, the notice of a general meeting may be issued in the form of public announcement.</p> <p>Public announcement referred to in the preceding paragraph shall be published in one or more newspaper(s) designated by the securities regulatory authority under the State Council. Once the announcement has been published, all holders of domestic shares shall be deemed to have received the notice of relevant general meeting.</p> <p>Where the Company intends to give a notice of a general meeting, it shall ensure that holders of foreign shares registered in Hong Kong have enough time to exercise their rights or act in accordance with the notice.</p> |

| Existing Articles of Association | Revised Articles of Association |
|--|--|
| <p>Article 9.6 Where the Company convenes a class general meeting, a written notice shall be given 45 days prior to the date of the meeting to notify all the shareholders of the said class in the shareholders' register of the issues to be considered at the meeting, and the date and venue of the meeting. Any shareholder intending to attend the meeting shall serve to the Company a written reply showing his intention to attend at least 20 days before the meeting.</p> <p>In the event that the shareholders who intend to attend such a meeting represent more than half of the total number of voting shares of that class, the Company may hold the class general meeting; otherwise, the Company shall within 5 days notify the shareholders of the class, again by public notice, of the issues to be considered as well as the date and venue of the class meeting. The Company may then hold the class general meeting after the publication of such notice.</p> | <p>Article 9.6 When the Company convenes a class general meeting, it shall issue a written notice 20 business days prior to the date of an annual general meeting and 15 days or 10 business days (whichever is longer) prior to the date of an extraordinary general meeting informing all the shareholders who are registered as holders of that class in the register of shareholders of the matters to be considered at the meeting as well as the date and place of the meeting.</p> |

The Articles of Association and the Proposed Amendments are written in Chinese and English. If there is any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors', Supervisors' and Chief Executive's Interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules, were as follows:

Interests in the Domestic Shares:

| | Type of interest | Number of Domestic Shares (Note 1) | Approximate percentage of total issued domestic share capital (%) | Approximate percentage of total issued share capital (%) |
|--|---------------------|---------------------------------------|--|---|
| Zhang Hongxia (Executive Director/ Chairman) | Beneficial interest | 17,700,400 | 2.27 | 1.48 |

Note 1: Unlisted shares

Interests in the shares of the Company's associated corporations (within the meaning of Part XV of the SFO):

| | Name of associated corporation | Type of interest | Approximate percentage of total issued share capital (%) |
|---|---|---|---|
| Ms. Zhang Hongxia (Executive Director/ Chairman) | Parent Company | Beneficial interest and spouse interest (<i>Note 1</i>) | 9.73 (<i>Note 1</i>) |
| Ms. Zhang Yanhong (Executive Director/ Vice Chairman) | Parent Company | Beneficial interest | 5.63 |
| Ms. Zhao Suwen (Executive Director) | Parent Company | Beneficial interest | 0.38 |
| Ms. Zhao Suhua (Non-executive Director) | Parent Company | Spouse interest (<i>Note 2</i>) | 4.93 (<i>Note 2</i>) |

Note 1: Ms. Zhang Hongxia holds an aggregate of 9.73% equity interests of the Parent Company, of which 7.00% are directly held by Ms. Zhang Hongxia. The remaining 2.73% equity interests are held by her husband, Mr. Yang Congsen, while Ms. Zhang Hongxia is deemed to be interested in these equity interests under the SFO.

Note 2: Ms. Zhao Suhua is deemed to be interested in the 4.93% equity interests of the Parent Company held by her husband, Mr. Wei Yingzhao, under the SFO.

Each of Ms. Zhang Hongxia, the chairman of the Company, and Ms. Zhang Yanhong, Ms. Zhao Suwen and Mr. Zhang Jinglei, who are executive Directors, also serves as a director of the Parent Company, respectively. The Parent Company has an interest in the Shares and underlying shares of the Company which falls to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Please refer to the disclosure below on the interest of the Parent Company in the Shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, there was no any other Directors, supervisors or chief executive of the Company who had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

3. DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS AND ASSETS

- (i) None of the Directors or supervisors of the Company was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group, apart from their service contracts.
- (ii) As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as known to the Directors, supervisors and chief executive of the Company, the following persons (other than the Directors, supervisors or chief executive of the Company) had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests in the Domestic Shares:

| Name of shareholders | Number of Domestic Shares (Note 1) | Approximate percentage of total issued domestic share capital (%) | Approximate percentage of total issued share capital (%) |
|---|---|--|---|
| the Parent Company | 757,869,600 (Long position) | 97.07 | 63.45 |
| Shandong Weiqiao Investment Holdings Company Limited ("Weiqiao Investment") | 757,869,600 (Long position) (Note 2) | 97.07 | 63.45 |

Interests in the H Shares:

| Name of shareholders | Type of interest | Number of H Shares (Note 3) | Approximate percentage of total issued H share capital (%) | Approximate percentage of total issued share capital (%) |
|------------------------------------|---|---|---|---|
| Brandes Investment Partners, L. P. | Investment manager | 44,313,998 (Long position) (Note 4) | 10.71 | 3.71 |
| Mellon Financial Corporation | Interest of a controlled corporation | 41,073,100 (Long position) (Note 5) | 9.93 | 3.44 |
| Citigroup Inc. | Interest of controlled corporations, security interest in shares and approved lending agent | 24,574,104 (Long position) (Note 6) | 5.94 | 2.06 |

Note 1: Unlisted shares.

Note 2: Weiqiao Investment holds 39% equity interests in the Parent Company.

Note 3: Shares listed on the Main Board of the Stock Exchange.

Note 4: According to the disclosure of interest published on the website of the Stock Exchange by Brandes Investment Partners, L. P., these 44,313,998 H Shares were held by Brandes Investment Partners, L. P. in its capacity as investment manager.

Note 5: According to the disclosure of interest published on the website of the Stock Exchange by Mellon Financial Corporation, these 41,073,100 H Shares in which Mellon Financial Corporation was deemed interested under the SFO were directly held by The Boston Company Asset Management LLC, a corporation wholly controlled by MAM (MA) Trust, which is indirectly and wholly controlled by MAM (DE) Trust. MAM (DE) Trust is wholly controlled by Mellon Financial Corporation.

Note 6: According to the disclosure of interest published on the website of the Stock Exchange by Citigroup Inc., among the 24,574,104 H Shares, Citigroup Inc. was deemed to hold 344 H Shares through interest of controlled corporations, 7,693,000 H Shares through security interest and 16,880,760 H Shares as approved lending agent.

Save as disclosed above, so far as known to the Directors, supervisors and chief executive of the Company, as at the Latest Practicable Date, there was no any other person (other than the Directors, supervisors or chief executive of the Company) who had any interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company under section 336 of the SFO.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or is proposing to enter, into any service contract with the Company or its subsidiaries which is not expiring or may not be terminated by the Company within a year without payment of any compensation, other than statutory compensation.

6. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and his/her respective associate(s) was interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there is no material adverse change in the financial position or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up.

8. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

9. EXPERT AND CONSENT

The following is the qualifications of the expert who has given opinion or advice, which is contained in this circular:

| Name | Qualifications |
|------------------|---|
| Sorrento Capital | a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity |

Sorrento Capital has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of its letter and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, (i) Sorrento Capital had no interest, either direct or indirect, in any assets which have been, since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) Sorrento Capital had no shareholding interests in any member of the Group and it did not have any right, whether legally enforceable or not, to subscribe for or nominate any persons to subscribe for securities of any members of the Group.

10. MISCELLANEOUS

- (i) The registered office of the Company is at No. 34 Qidong Road, Weiqiao Town, Zouping City, Shandong Province, the PRC.
- (ii) The principal place of business of the Company in the PRC is No. 1 Wei Fang Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC.
- (iii) The principal place of business of the Company in Hong Kong is Suite 5109, The Center, 99th Queen's Road Central, Central, Hong Kong.
- (iv) The Company's H share registrar and transfer office in Hong Kong is at Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (v) The secretary of the Company is Mr. Zhang Jinglei, who was accepted by Stock Exchange as an individual who meets the requirements of a secretary under Rule 8.17 of the Listing Rules.
- (vi) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Suite 5109, The Center, 99th Queen's Road Central, Central, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date of this circular:

- (a) the Articles of Association;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 13 to 14 of this circular;
- (c) the letter of advice from Sorrento Capital, the text of which is set out on pages 15 to 23 of this circular;
- (d) the written consent from Sorrento Capital;
- (e) the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement; and
- (f) this circular.

NOTICE OF THE EGM



魏橋紡織股份有限公司

Weiqiao Textile Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2698)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Weiqiao Textile Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) will be convened and held at 9:00 a. m. on Thursday, 24 December 2020 at the conference hall 401 on the Fourth Floor, Company Office Building, No. 1 Wei Fang Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the People's Republic of China (the “**PRC**”), to consider and, if thought fit, approve the following:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the renewed cotton yarn, grey fabric and denim supply agreement (the “**Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement**”) entered into between the Company and Shandong Weiqiao Chuangye Group Company Limited (山東魏橋創業集團有限公司) (the “**Parent Company**”, collectively with its subsidiaries (excluding the Group), the “**Parent Group**”) on 16 October 2020 be and is hereby approved and confirmed;
- (b) the estimated annual maximum transaction values of the supply of cotton yarn, grey fabric and denim by the Group to the Parent Group (as set out in the circular of the Company dated 9 November 2020) for the three financial years ending 31 December 2023 (the “**Annual Caps**”) be and are hereby approved and confirmed; and
- (c) any director of the Company be and is hereby authorised to do further acts and things, enter into all such transactions and arrangements, execute such other documents and/or deeds and/or take all such steps, which in their opinion may be necessary, desirable or expedient to implement the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the transactions thereunder, and the Annual Caps.”

* For identification purposes only.

NOTICE OF THE EGM

SPECIAL RESOLUTION

2. to consider and approve the proposed amendments to the articles of association of the Company.

By Order of the Board
Weiqiao Textile Company Limited*
Zhang Jinglei
Executive Director and Company Secretary

9 November 2020
Shandong, the PRC

As at the date of this notice, the board of directors of the Company comprises eight directors, namely Ms. Zhang Hongxia, Ms. Zhang Yanhong, Ms. Zhao Suwen and Mr. Zhang Jinglei as executive directors, Ms. Zhao Suhua as non-executive director and Mr. George Chan Wing Yau, Mr. Chen Shuwen and Mr. Liu Yanzhao as independent non-executive directors.

Notes:

- (A) A circular containing, among others, (i) further details of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) and the Proposed Amendments; (ii) the letter from the independent board committee to the independent shareholder; and (iii) the letter of advice from the independent financial adviser to the independent board committee and the independent shareholders has been despatched to the shareholders on 9 November 2020.
- (B) The H share register of the Company will be closed from Tuesday, 24 November 2020 to Thursday, 24 December 2020 (both days inclusive), during which no transfer of H shares will be effected. Shareholders whose names appear on the register of members of the Company on Tuesday, 24 November 2020 are entitled to attend and vote at the EGM. In order to be entitled to attend and vote at the EGM, share transfer documents should be lodged with the Company's H share registrar not later than 4:30 p. m. on Monday, 23 November 2020.

The address of the share registrar for the Company's H shares is as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

- (C) Holders of H shares and domestic shares of the Company, who intend to attend the EGM, must complete the reply slips for attending the EGM and return them to the office of the secretary to the board of directors of the Company not later than 20 days before the date of the EGM, i.e. on or before Friday, 4 December 2020.

Details of the office of the secretary to the board of directors of the Company are as follows:

Room 412, Fourth Floor
Company Office Building
No. 1 Wei Fang Road

NOTICE OF THE EGM

Zouping Economic Development Zone
Zouping City
Shandong Province
The PRC

Postal Code: 256200
Tel: 86 (543) 416 2222
Fax: 86 (543) 416 2000

- (D) The resolutions proposed at the EGM will be voted by way of poll.
- (E) Each holder of H shares of the Company who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the EGM. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll.
- (F) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified.
- (G) To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H shares share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.
- (H) Each holder of domestic shares of the Company is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on its behalf at the EGM. Notes (E) to (F) also apply to holders of domestic shares of the Company, except that the proxy form or other documents of authority must be delivered to the office of the secretary to the board of directors of the Company, the address of which is set out in Note (C) above, not less than 24 hours before the time for holding the EGM or any adjournment, thereof in order for such documents to be valid.
- (I) If a proxy attends the EGM on behalf of a shareholder, he should produce his ID card and the instrument signed by the proxy or his legal representative, which specifies the date of its issuance. If the legal representative of a legal person share shareholder attends the EGM, such legal representative should produce his/her ID card and valid documents evidencing his capacity as such legal representative. If a legal person share shareholder appoints a representative of a company other than its legal representative to attend the EGM, such representative should produce his ID card and an authorization instrument affixed with the seal of the legal person share shareholder and duly signed by its legal representative.
- (J) The EGM, is expected to last not more than half a day. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.

* *For identification purposes only. The Company is registered in Hong Kong as a non-Hong Kong company under the English name "Weiqiao Textile Company Limited" and the Chinese name of Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).*

NOTICE OF THE H SHAREHOLDERS CLASS MEETING



魏橋紡織股份有限公司

Weiqiao Textile Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2698)

NOTICE OF H SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN that an H shareholders class meeting (the “**H Shareholders Class Meeting**”) of Weiqiao Textile Company Limited (the “**Company**”) will be held at 9:00 a.m. on Thursday, 24 December 2020 at the conference hall 401 on the Fourth Floor, Company Office Building, No. 1 Wei Fang Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the People's Republic of China (the “**PRC**”) to consider and, if thought fit, approve the following:

SPECIAL RESOLUTION

1. to consider and approve the proposed amendments to the articles of association of the Company.

By behalf of the Board

Weiqiao Textile Company Limited*

Zhang Jinglei

Executive Director and Company Secretary

9 November 2020
Shandong, the PRC

As at the date of this notice, the board of directors of the Company comprises eight directors, namely Ms. Zhang Hongxia, Ms. Zhang Yanhong, Ms. Zhao Suwen and Mr. Zhang Jinglei as executive directors, Ms. Zhao Suhua as non-executive director and Mr. George Chan Wing Yau, Mr. Chen Shuwen and Mr. Liu Yanzhao as independent non-executive directors.

Notes:

- (A) The Company's H share register of members will be closed from Tuesday, 24 November 2020 to Thursday, 24 December 2020 (both dates inclusive), during which no transfer of shares will be registered. Holders of H shares whose names appear on the register of members of the Company on Tuesday, 24 November 2020 are entitled to attend and vote at the H Shareholders Class Meeting. In order to qualify for attending to, and voting in, the forthcoming H Shareholders Class Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with

* For identification purposes only.

NOTICE OF THE H SHAREHOLDERS CLASS MEETING

the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 23 November 2020.

- (B) Holders of H shares of the Company, who intend to attend the H Shareholders Class Meeting, must complete the reply slips for attending the H Shareholders Class Meeting and return them to the office of the secretary to the board of directors of the Company not later than 20 days before the date of the H Shareholders Class Meeting, i.e. no later than Friday, 4 December 2020.

Details of the office of the secretary to the board of directors of the Company are as follows:

Room 412, Fourth Floor
Company Office Building
No. 1 Wei Fang Road
Zouping Economic Development Zone
Zouping City
Shandong Province
The PRC

Postal Code: 256200
Tel: (86) 543 416 2222
Fax: (86) 543 416 2000

- (C) Each holder of H shares of the Company who has the right to attend and vote at the H Shareholders Class Meeting (or at any adjournment thereof) is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the H Shareholders Class Meeting. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll.
- (D) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified.
- (E) To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a certified copy of that power of attorney or other authority (such certification to be made by a notary public), must be delivered to the Company's H Shares registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 24 hours before the time for holding the H Shareholders Class Meeting or any adjournment thereof.
- (F) If a proxy attends the H Shareholders Class Meeting on behalf of a shareholder, he should produce his ID card and the instrument signed by the proxy or his legal representative, which specifies the date of its issuance. If the legal representative of a legal person share shareholder attends the H Shareholders Class Meeting, such legal representative should produce his ID card and valid documents evidencing his capacity as such legal representative. If a legal person share shareholder appoints a representative of the company other than its legal representative to attend the H Shareholders Class Meeting, such representative should produce his ID card and an authorization instrument affixed with the seal of the legal person share shareholder and duly signed by its legal representative.
- (G) The H Shareholders Class Meeting is expected to last for half a day. Shareholders attending the H Shareholders Class Meeting are responsible for their own transportation and accommodation expenses.

* *For identification purposes only. The Company is registered in Hong Kong as a non-Hong Kong company under the English name "Weiqiao Textile Company Limited" and the Chinese name of the Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).*

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING



魏橋紡織股份有限公司

Weiqiao Textile Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2698)

NOTICE OF DOMESTIC SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN that a domestic shareholders class meeting (the “**Domestic Shareholders Class Meeting**”) of Weiqiao Textile Company Limited (the “**Company**”) will be held at 9:00 a.m. on Thursday, 24 December 2020 at the conference hall 401 on the Fourth Floor, Company Office Building, No. 1 Wei Fang Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the People's Republic of China (the “**PRC**”) to consider and, if thought fit, approve the following:

SPECIAL RESOLUTION

1. to consider and approve the proposed amendments to the articles of association of the Company.

By behalf of the Board

Weiqiao Textile Company Limited*

Zhang Jinglei

Executive Director and Company Secretary

9 November 2020
Shandong, the PRC

As at the date of this notice, the board of directors of the Company comprises eight directors, namely Ms. Zhang Hongxia, Ms. Zhang Yanhong, Ms. Zhao Suwen and Mr. Zhang Jinglei as executive directors, Ms. Zhao Suhua as non-executive director and Mr. George Chan Wing Yau, Mr. Chen Shuwen and Mr. Liu Yanzhao as independent non-executive directors.

Notes:

- (A) Holders of domestic shares of the Company whose names appear on the Company's register of members of domestic shares at the close of business on Tuesday, 24 November 2020 are entitled to attend and vote at the Domestic Shareholders Class Meeting after complying with the necessary registration procedures.

* For identification purposes only.

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

- (B) Holders of domestic shares of the Company, who intend to attend the Domestic Shareholders Class Meeting, must complete the reply slips for attending the Domestic Shareholders Class Meeting and return them to the office of the secretary to the board of directors of the Company not later than 20 days before the date of the Domestic Shareholders Class Meeting, i.e. no later than Friday, 4 December 2020.

Details of the office of the secretary to the board of directors of the Company are as follows:

Room 412, Fourth Floor
Company Office Building
No. 1 Wei Fang Road
Zouping Economic Development Zone
Zouping City
Shandong Province
The PRC

Postal Code: 256200
Tel: (86) 543 416 2222
Fax: (86) 543 416 2000

- (C) Each holder of domestic shares of the Company who has the right to attend and vote at the Domestic Shareholders Class Meeting (or at any adjournment thereof) is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the Domestic Shareholders Class Meeting. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll.
- (D) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified.
- (E) To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a certified copy of that power of attorney or other authority (such certification to be made by a notary public), must be delivered to the office of the secretary to the board of directors of the Company, the address of which is set out in Note (B) above, not less than 24 hours before the time for holding the Domestic Shareholders Class Meeting or any adjournment thereof.
- (F) If a proxy attends the Domestic Shareholders Class Meeting on behalf of a shareholder, he should produce his ID card and the instrument signed by the proxy or his legal representative, which specifies the date of its issuance. If the legal representative of a legal person share shareholder attends the Domestic Shareholders Class Meeting, such legal representative should produce his ID card and valid documents evidencing his capacity as such legal representative. If a legal person share shareholder appoints a representative of the company other than its legal representative to attend the Domestic Shareholders Class Meeting, such representative should produce his ID card and an authorization instrument affixed with the seal of the legal person share shareholder and duly signed by its legal representative.
- (G) The Domestic Shareholders Class Meeting is expected to last for half a day. Shareholders attending the Domestic Shareholders Class Meeting are responsible for their own transportation and accommodation expenses.

* *For identification purposes only. The Company is registered in Hong Kong as a non-Hong Kong company under the English name "Weiqiao Textile Company Limited" and the Chinese name of the Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).*